

AMENDED IN ASSEMBLY MARCH 29, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 2324

Introduced by Assembly Member Gatto

February 24, 2012

An act to amend Section-2982 2984.1 of the Civil Code, relating to vehicle sales contracts.

LEGISLATIVE COUNSEL'S DIGEST

AB 2324, as amended, Gatto. Vehicle sales contracts.

Existing law requires every conditional sale contract for the purchase of a motor vehicle to contain a specified statement regarding minimum public liability insurance, and a specified warning regarding coverage for the vehicle being purchased. Existing Department of Insurance regulations require a selling dealer to provide to a vehicle purchaser a specified Statement of Insurance relative to all insurance charged to the purchaser or placed upon the motor vehicle.

This bill would require the contract to also contain a statement that any insurance policy obtained by the dealer will not fulfill the purchaser's legal obligation and would delete the warning language. The bill would also require the Department of Insurance to amend its regulation to provide that the requirement to provide a Statement of Insurance shall not apply to a conditional sale contract for the purchase of a motor vehicle that does not provide for the purchase of insurance from the selling dealer.

~~Existing law imposes specified licensing and regulatory requirements on dealers of motor vehicles and requires that specified fees and charges be disclosed in a conditional sales contract for the purchase of a motor~~

vehicle, including, among other things, an itemization of any insurance included as part of the amount financed, as specified.

~~This bill would make a nonsubstantive change to those provisions.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 *SECTION 1. Section 2984.1 of the Civil Code is amended to*
2 *read:*

3 2984.1. Every conditional sale contract shall contain a statement
4 in contrasting red print in at least 8-point bold type which shall
5 satisfy the requirements of Section 5604 of the Vehicle Code and
6 be signed or initialed by the buyer, as follows:

7
8 THE MINIMUM PUBLIC LIABILITY INSURANCE LIMITS
9 PROVIDED IN LAW MUST BE MET BY EVERY PERSON
10 WHO PURCHASES A VEHICLE. *UNLESS OTHERWISE*
11 *SPECIFIED, ANY INSURANCE POLICY OBTAINED BY THE*
12 *DEALER WILL NOT FULFILL YOUR LEGAL OBLIGATION. IF*
13 YOU ARE UNSURE WHETHER OR NOT YOUR CURRENT
14 INSURANCE POLICY WILL COVER YOUR NEWLY
15 ACQUIRED VEHICLE IN THE EVENT OF AN ACCIDENT,
16 *OR WHETHER THAT COVERAGE IS SUFFICIENT FOR YOUR*
17 NEEDS, YOU SHOULD CONTACT YOUR INSURANCE
18 AGENT.

19
20 WARNING:
21 ~~YOUR PRESENT POLICY MAY NOT COVER COLLISION~~
22 ~~DAMAGE OR MAY NOT PROVIDE FOR FULL~~
23 ~~REPLACEMENT COSTS FOR THE VEHICLE BEING~~
24 ~~PURCHASED. IF YOU DO NOT HAVE FULL COVERAGE,~~
25 ~~SUPPLEMENTAL COVERAGE FOR COLLISION DAMAGE~~
26 ~~MAY BE AVAILABLE TO YOU THROUGH YOUR~~
27 ~~INSURANCE AGENT OR THROUGH THE SELLING DEALER.~~
28 ~~HOWEVER, UNLESS OTHERWISE SPECIFIED, THE~~
29 ~~COVERAGE YOU OBTAIN THROUGH THE DEALER~~
30 ~~PROTECTS ONLY THE DEALER, USUALLY UP TO THE~~
31 ~~AMOUNT OF THE UNPAID BALANCE REMAINING AFTER~~
32 ~~THE VEHICLE HAS BEEN REPOSSESSED AND SOLD.~~

1
2 ~~FOR ADVICE ON FULL COVERAGE THAT WILL PROTECT~~
3 ~~YOU IN THE EVENT OF LOSS OR DAMAGE TO YOUR~~
4 ~~VEHICLE, YOU SHOULD CONTACT YOUR INSURANCE~~
5 ~~AGENT.~~

6
7 THE BUYER SHALL SIGN TO ACKNOWLEDGE THAT
8 HE/SHE UNDERSTANDS THESE PUBLIC LIABILITY TERMS
9 AND CONDITIONS.

10 s/s _____.

11 No person shall print for use as a sales contract form, any form
12 ~~which~~ that does not comply with this section.

13 *SEC. 2. The Department of Insurance shall amend Section*
14 *2114 of Title 10 of the California Code of Regulations to provide*
15 *that the requirements of that section shall not apply to a conditional*
16 *sale contract for the purchase of a motor vehicle that does not*
17 *provide for the purchase of insurance from the selling dealer.*

18 ~~SECTION 1. Section 2982 of the Civil Code, as added by~~
19 ~~Section 4 of Chapter 329 of the Statutes of 2011, is amended to~~
20 ~~read:~~

21 ~~2982. A conditional sale contract subject to this chapter shall~~
22 ~~contain the disclosures required by Regulation Z, whether or not~~
23 ~~Regulation Z applies to the transaction. In addition, to the extent~~
24 ~~applicable, the contract shall contain the other disclosures and~~
25 ~~notices required by, and shall satisfy the requirements and~~
26 ~~limitations of, this section. The disclosures required by subdivision~~
27 ~~(a) may be itemized or subtotaled to a greater extent than as~~
28 ~~required by that subdivision and shall be made together and in the~~
29 ~~sequence set forth in that subdivision. All other disclosures and~~
30 ~~notices may appear in the contract in any location or sequence and~~
31 ~~may be combined or interspersed with other provisions of the~~
32 ~~contract.~~

33 ~~(a) The contract shall contain the following disclosures, as~~
34 ~~applicable, which shall be labeled "itemization of the amount~~
35 ~~financed":~~

36 ~~(1) (A) The cash price, exclusive of document processing~~
37 ~~charges, charges to electronically register or transfer the vehicle,~~
38 ~~taxes imposed on the sale, pollution control certification fees, prior~~
39 ~~credit or lease balance on property being traded in, the amount~~
40 ~~charged for a service contract, the amount charged for a theft~~

1 ~~deterrent system, the amount charged for a surface protection~~
2 ~~product, the amount charged for an optional debt cancellation~~
3 ~~agreement, and the amount charged for a contract cancellation~~
4 ~~option agreement.~~

5 ~~(B) The charge to be retained by the seller for document~~
6 ~~processing authorized pursuant to Section 4456.5 of the Vehicle~~
7 ~~Code.~~

8 ~~(C) The fee charged by the seller for certifying that the motor~~
9 ~~vehicle complies with applicable pollution control requirements.~~

10 ~~(D) A charge for a theft deterrent device.~~

11 ~~(E) A charge for a surface protection product.~~

12 ~~(F) Taxes imposed on the sale.~~

13 ~~(G) The charge to electronically register or transfer the vehicle~~
14 ~~authorized pursuant to Section 4456.5 of the Vehicle Code.~~

15 ~~(H) The amount charged for a service contract.~~

16 ~~(I) The prior credit or lease balance remaining on property being~~
17 ~~traded in, as required by paragraph (6). The disclosure required~~
18 ~~by this subparagraph shall be labeled "prior credit or lease balance~~
19 ~~(see downpayment and trade-in calculation)."~~

20 ~~(J) Any charge for an optional debt cancellation agreement.~~

21 ~~(K) Any charge for a used vehicle contract cancellation option~~
22 ~~agreement.~~

23 ~~(L) The total cash price, which is the sum of subparagraphs (A)~~
24 ~~to (K), inclusive.~~

25 ~~(M) The disclosures described in subparagraphs (D), (E), and~~
26 ~~(K) are not required on contracts involving the sale of a motorcycle,~~
27 ~~as defined in Section 400 of the Vehicle Code, or on contracts~~
28 ~~involving the sale of an off-highway motor vehicle that is subject~~
29 ~~to identification under Section 38010 of the Vehicle Code, and the~~
30 ~~amounts of those charges, if any, are not required to be reflected~~
31 ~~in the total price under subparagraph (L).~~

32 ~~(2) Amounts paid to public officials for the following:~~

33 ~~(A) Vehicle license fees.~~

34 ~~(B) Registration, transfer, and titling fees.~~

35 ~~(C) California tire fees imposed pursuant to Section 42885 of~~
36 ~~the Public Resources Code.~~

37 ~~(3) The aggregate amount of premiums agreed, upon execution~~
38 ~~of the contract, to be paid for policies of insurance included in the~~
39 ~~contract, excluding the amount of any insurance premium included~~
40 ~~in the finance charge.~~

1 ~~(4) The amount of the state fee for issuance of a certificate of~~
2 ~~compliance, noncompliance, exemption, or waiver pursuant to any~~
3 ~~applicable pollution control statute.~~

4 ~~(5) A subtotal representing the sum of the amounts described~~
5 ~~in paragraphs (1) to (4), inclusive.~~

6 ~~(6) The amount of the buyer's downpayment itemized to show~~
7 ~~the following:~~

8 ~~(A) The agreed value of the property being traded in.~~

9 ~~(B) The prior credit or lease balance, if any, owing on the~~
10 ~~property being traded in.~~

11 ~~(C) The net agreed value of the property being traded in, which~~
12 ~~is the difference between the amounts disclosed in subparagraphs~~
13 ~~(A) and (B). If the prior credit or lease balance of the property~~
14 ~~being traded in exceeds the agreed value of the property, a negative~~
15 ~~number shall be stated.~~

16 ~~(D) The amount of any portion of the downpayment to be~~
17 ~~deferred until not later than the due date of the second regularly~~
18 ~~scheduled installment under the contract and that is not subject to~~
19 ~~a finance charge.~~

20 ~~(E) The amount of any manufacturer's rebate applied or to be~~
21 ~~applied to the downpayment.~~

22 ~~(F) The remaining amount paid or to be paid by the buyer as a~~
23 ~~downpayment.~~

24 ~~(G) The total downpayment. If the sum of subparagraphs (C)~~
25 ~~to (F), inclusive, is zero or more, that sum shall be stated as the~~
26 ~~total downpayment, and no amount shall be stated as the prior~~
27 ~~credit or lease balance under subparagraph (I) of paragraph (1). If~~
28 ~~the sum of subparagraphs (C) to (F), inclusive, is less than zero,~~
29 ~~then that sum, expressed as a positive number, shall be stated as~~
30 ~~the prior credit or lease balance under subparagraph (I) of~~
31 ~~paragraph (1), and zero shall be stated as the total downpayment.~~
32 ~~The disclosure required by this subparagraph shall be labeled "total~~
33 ~~downpayment" and shall contain a descriptor indicating that if the~~
34 ~~total downpayment is a negative number, a zero shall be disclosed~~
35 ~~as the total downpayment and a reference made that the remainder~~
36 ~~shall be included in the disclosure required pursuant to~~
37 ~~subparagraph (I) of paragraph (1).~~

38 ~~(7) The amount of any administrative finance charge, labeled~~
39 ~~"prepaid finance charge."~~

~~(8) The difference between the amount described in paragraph (5) and the sum of the amounts described in paragraphs (6) and (7), labeled “amount financed.”~~

~~(b) No particular terminology is required to disclose the items set forth in subdivision (a) except as expressly provided in that subdivision.~~

~~(c) If payment of all or a portion of the downpayment is to be deferred, the deferred payment shall be reflected in the payment schedule disclosed pursuant to Regulation Z.~~

~~(d) If the downpayment includes property being traded in, the contract shall contain a brief description of that property.~~

~~(e) The contract shall contain the names and addresses of all persons to whom the notice required pursuant to Section 2983.2 and permitted pursuant to Sections 2983.5 and 2984 is to be sent.~~

~~(f) (1) If the contract includes a finance charge determined on the precomputed basis, the contract shall identify the method of computing the unearned portion of the finance charge in the event of prepayment in full of the buyer's obligation and contain a statement of the amount or method of computation of any charge that may be deducted from the amount of any unearned finance charge in computing the amount that will be credited to the obligation or refunded to the buyer. The method of computing the unearned portion of the finance charge shall be sufficiently identified with a reference to the actuarial method if the computation will be under that method. The method of computing the unearned portion of the finance charge shall be sufficiently identified with a reference to the Rule of 78's, the sum of the digits, or the sum of the periodic time balances method in all other cases, and those references shall be deemed to be equivalent for disclosure purposes.~~

~~(2) If the contract includes a finance charge that is determined on the simple-interest basis but provides for a minimum finance charge in the event of prepayment in full, the contract shall contain a statement of that fact and the amount of the minimum finance charge or its method of calculation.~~

~~(g) (1) If the contract includes a finance charge that is determined on the precomputed basis and provides that the unearned portion of the finance charge to be refunded upon full prepayment of the contract is to be determined by a method other than actuarial, the contract shall contain a notice, in at least~~

1 ~~10-point boldface type if the contract is printed, reading as~~
2 ~~follows: “Notice to buyer: (1) Do not sign this agreement before~~
3 ~~you read it or if it contains any blank spaces to be filled in. (2)~~
4 ~~You are entitled to a completely filled-in copy of this agreement.~~
5 ~~(3) You can prepay the full amount due under this agreement at~~
6 ~~any time and obtain a partial refund of the finance charge if it is~~
7 ~~\$1 or more. Because of the way the amount of this refund will be~~
8 ~~figured, the time when you prepay could increase the ultimate cost~~
9 ~~of credit under this agreement. (4) If you default in the performance~~
10 ~~of your obligations under this agreement, the vehicle may be~~
11 ~~repossessed and you may be subject to suit and liability for the~~
12 ~~unpaid indebtedness evidenced by this agreement.”~~

13 ~~(2) If the contract includes a finance charge that is determined~~
14 ~~on the precomputed basis and provides for the actuarial method~~
15 ~~for computing the unearned portion of the finance charge upon~~
16 ~~prepayment in full, the contract shall contain a notice, in at least~~
17 ~~10-point boldface type if the contract is printed, reading as~~
18 ~~follows: “Notice to buyer: (1) Do not sign this agreement before~~
19 ~~you read it or if it contains any blank spaces to be filled in. (2)~~
20 ~~You are entitled to a completely filled-in copy of this agreement.~~
21 ~~(3) You can prepay the full amount due under this agreement at~~
22 ~~any time and obtain a partial refund of the finance charge if it is~~
23 ~~\$1 or more. (4) If you default in the performance of your~~
24 ~~obligations under this agreement, the vehicle may be repossessed~~
25 ~~and you may be subject to suit and liability for the unpaid~~
26 ~~indebtedness evidenced by this agreement.”~~

27 ~~(3) If the contract includes a finance charge that is determined~~
28 ~~on the simple-interest basis, the contract shall contain a notice, in~~
29 ~~at least 10-point boldface type if the contract is printed, reading~~
30 ~~as follows: “Notice to buyer: (1) Do not sign this agreement~~
31 ~~before you read it or if it contains any blank spaces to be filled in.~~
32 ~~(2) You are entitled to a completely filled-in copy of this~~
33 ~~agreement. (3) You can prepay the full amount due under this~~
34 ~~agreement at any time. (4) If you default in the performance of~~
35 ~~your obligations under this agreement, the vehicle may be~~
36 ~~repossessed and you may be subject to suit and liability for the~~
37 ~~unpaid indebtedness evidenced by this agreement.”~~

38 ~~(h) The contract shall contain a notice in at least 8-point boldface~~
39 ~~type, acknowledged by the buyer, that reads as follows:~~

1 “If you have a complaint concerning this sale, you should try to
2 resolve it with the seller.

3 Complaints concerning unfair or deceptive practices or methods
4 by the seller may be referred to the city attorney, the district
5 attorney, or an investigator for the Department of Motor Vehicles,
6 or any combination thereof.

7 After this contract is signed, the seller may not change the
8 financing or payment terms unless you agree in writing to the
9 change. You do not have to agree to any change, and it is an unfair
10 or deceptive practice for the seller to make a unilateral change.

11
12 _____
13
14 ——— Buyer’s Signature”
15

16 (i) (1) The contract shall contain an itemization of any insurance
17 included as part of the amount financed disclosed pursuant to
18 paragraph (3) of subdivision (a) and of any insurance included as
19 part of the finance charge. The itemization shall identify the type
20 of insurance coverage and the premium charged therefor, and, if
21 the insurance expires before the date of the last scheduled
22 installment included in the repayment schedule, the term of the
23 insurance shall also be stated.

24 (2) If any charge for insurance, other than for credit life or
25 disability, is included in the contract balance and disbursement of
26 any part thereof is to be made more than one year after the date of
27 the conditional sale contract, any finance charge on the amount to
28 be disbursed after one year shall be computed from the month the
29 disbursement is to be made to the due date of the last installment
30 under the conditional sale contract.

31 (j) (1) Except for contracts in which the finance charge or a
32 portion of the finance charge is determined by the simple-interest
33 basis and the amount financed disclosed pursuant to paragraph (8)
34 of subdivision (a) is more than two thousand five hundred dollars
35 (\$2,500), the dollar amount of the disclosed finance charge may
36 not exceed the greater of:

37 (A) (i) One and one-half percent on so much of the unpaid
38 balance as does not exceed two hundred twenty-five dollars (\$225);
39 1 ½ percent on so much of the unpaid balance in excess of two
40 hundred twenty-five dollars (\$225) as does not exceed nine hundred

1 dollars (\$900) and five-sixths of 1 percent on so much of the unpaid
2 balance in excess of nine hundred dollars (\$900) as does not exceed
3 two thousand five hundred dollars (\$2,500):

4 (ii) One percent of the entire unpaid balance; multiplied in either
5 case by the number of months (computed on the basis of a full
6 month for any fractional month period in excess of 15 days)
7 elapsing between the date of the contract and the due date of the
8 last installment.

9 (B) If the finance charge is determined by the precomputed
10 basis, twenty-five dollars (\$25):

11 (C) If the finance charge or a portion thereof is determined by
12 the simple-interest basis:

13 (i) Twenty-five dollars (\$25) if the unpaid balance does not
14 exceed one thousand dollars (\$1,000):

15 (ii) Fifty dollars (\$50) if the unpaid balance exceeds one
16 thousand dollars (\$1,000) but does not exceed two thousand dollars
17 (\$2,000):

18 (iii) Seventy-five dollars (\$75) if the unpaid balance exceeds
19 two thousand dollars (\$2,000):

20 (2) The holder of the contract shall not charge, collect, or receive
21 a finance charge that exceeds the disclosed finance charge, except
22 to the extent (A) caused by the holder's receipt of one or more
23 payments under a contract that provides for determination of the
24 finance charge or a portion thereof on the 365-day basis at a time
25 or times other than as originally scheduled whether or not the
26 parties enter into an agreement pursuant to Section 2982.3, (B)
27 permitted by paragraph (2), (3), or (4) of subdivision (c) of Section
28 226.17 of Regulation Z, or (C) permitted by subdivisions (a) and
29 (e) of Section 2982.8:

30 (3) If the finance charge or a portion thereof is determined by
31 the simple-interest basis and the amount of the unpaid balance
32 exceeds five thousand dollars (\$5,000), the holder of the contract
33 may, in lieu of its right to a minimum finance charge under
34 subparagraph (C) of paragraph (1), charge, receive, or collect on
35 the date of the contract an administrative finance charge not to
36 exceed seventy-five dollars (\$75), provided that the sum of the
37 administrative finance charge and the portion of the finance charge
38 determined by the simple-interest basis shall not exceed the
39 maximum total finance charge permitted by subparagraph (A) of
40 paragraph (1). Any administrative finance charge that is charged;

1 received, or collected by a holder shall be deemed a finance charge
2 earned on the date of the contract.

3 (4) If a contract provides for unequal or irregular payments, or
4 payments on other than a monthly basis, the maximum finance
5 charge shall be at the effective rate provided for in paragraph (1),
6 having due regard for the schedule of installments.

7 (k) The contract may provide that for each installment in default
8 for a period of not less than 10 days the buyer shall pay a
9 delinquency charge in an amount not to exceed in the aggregate 5
10 percent of the delinquent installment, which amount may be
11 collected only once on any installment regardless of the period
12 during which it remains in default. Payments timely received by
13 the seller under an extension or deferral agreement may not be
14 subject to a delinquency charge unless the charge is permitted by
15 Section 2982.3. The contract may provide for reasonable collection
16 costs and fees in the event of delinquency.

17 (l) Notwithstanding any provision of a contract to the contrary,
18 the buyer may pay at any time before maturity the entire
19 indebtedness evidenced by the contract without penalty. In the
20 event of prepayment in full:

21 (1) If the finance charge was determined on the precomputed
22 basis, the amount required to prepay the contract shall be the
23 outstanding contract balance as of that date, provided, however,
24 that the buyer shall be entitled to a refund credit in the amount of
25 the unearned portion of the finance charge, except as provided in
26 paragraphs (3) and (4). The amount of the unearned portion of the
27 finance charge shall be at least as great a proportion of the finance
28 charge, including any additional finance charge imposed pursuant
29 to Section 2982.8 or other additional charge imposed because the
30 contract has been extended, deferred, or refinanced, as the sum of
31 the periodic monthly time balances payable more than 15 days
32 after the date of prepayment bears to the sum of all the periodic
33 monthly time balances under the schedule of installments in the
34 contract or, if the contract has been extended, deferred, or
35 refinanced, as so extended, deferred, or refinanced. If the amount
36 of the refund credit is less than one dollar (\$1), no refund credit
37 need be made by the holder. Any refund credit may be made in
38 cash or credited to the outstanding obligations of the buyer under
39 the contract.

1 ~~(2) If the finance charge or a portion of the finance charge was~~
2 ~~determined on the simple-interest basis, the amount required to~~
3 ~~prepay the contract shall be the outstanding contract balance as of~~
4 ~~that date, including any earned finance charges that are unpaid as~~
5 ~~of that date and, if applicable, the amount provided in paragraph~~
6 ~~(3), and provided further that in cases where a finance charge is~~
7 ~~determined on the 360-day basis, the payments received under the~~
8 ~~contract shall be assumed to have been received on their respective~~
9 ~~due dates regardless of the actual dates on which the payments~~
10 ~~were received.~~

11 ~~(3) If the minimum finance charge provided by subparagraph~~
12 ~~(B) or subparagraph (C) of paragraph (1) of subdivision (j), if~~
13 ~~either is applicable, is greater than the earned finance charge as of~~
14 ~~the date of prepayment, the holder shall be additionally entitled to~~
15 ~~the difference.~~

16 ~~(4) This subdivision shall not impair the right of the seller or~~
17 ~~the seller's assignee to receive delinquency charges on delinquent~~
18 ~~installments and reasonable costs and fees as provided in~~
19 ~~subdivision (k) or extension or deferral agreement charges as~~
20 ~~provided in Section 2982.3.~~

21 ~~(5) Notwithstanding any provision of a contract to the contrary,~~
22 ~~if the indebtedness created by any contract is satisfied prior to its~~
23 ~~maturity through surrender of the motor vehicle, repossession of~~
24 ~~the motor vehicle, redemption of the motor vehicle after~~
25 ~~repossession, or any judgment, the outstanding obligation of the~~
26 ~~buyer shall be determined as provided in paragraph (1) or (2).~~
27 ~~Notwithstanding, the buyer's outstanding obligation shall be~~
28 ~~computed by the holder as of the date the holder recovers the value~~
29 ~~of the motor vehicle through disposition thereof or judgment is~~
30 ~~entered or, if the holder elects to keep the motor vehicle in~~
31 ~~satisfaction of the buyer's indebtedness, as of the date the holder~~
32 ~~takes possession of the motor vehicle.~~

33 ~~(m) Notwithstanding any other provision of this chapter to the~~
34 ~~contrary, any information required to be disclosed in a conditional~~
35 ~~sale contract under this chapter may be disclosed in any manner,~~
36 ~~method, or terminology required or permitted under Regulation~~
37 ~~Z, as in effect at the time that disclosure is made, except that~~
38 ~~permitted by paragraph (2) of subdivision (c) of Section 226.18~~
39 ~~of Regulation Z, if all of the requirements and limitations set forth~~
40 ~~in subdivision (a) are satisfied. This chapter does not prohibit the~~

1 disclosure in that contract of additional information required or
2 permitted under Regulation Z, as in effect at the time that disclosure
3 is made.

4 (n) If the seller imposes a charge for document processing or
5 to electronically register or transfer the vehicle, the contract shall
6 contain a disclosure that the charge is not a governmental fee.

7 (o) A seller shall not impose an application fee for a transaction
8 governed by this chapter.

9 (p) The seller or holder may charge and collect a fee not to
10 exceed fifteen dollars (\$15) for the return by a depository institution
11 of a dishonored check, negotiated order of withdrawal, or share
12 draft issued in connection with the contract if the contract so
13 provides or if the contract contains a generalized statement that
14 the buyer may be liable for collection costs incurred in connection
15 with the contract.

16 (q) The contract shall disclose on its face, by printing the word
17 “new” or “used” within a box outlined in red, that is not smaller
18 than one-half inch high and one-half inch wide, whether the vehicle
19 is sold as a new vehicle, as defined in Section 430 of the Vehicle
20 Code, or as a used vehicle, as defined in Section 665 of the Vehicle
21 Code.

22 (r) The contract shall contain a notice with a heading in at least
23 12-point bold type and the text in at least 10-point bold type,
24 circumscribed by a line, immediately above the contract signature
25 line, that reads as follows:

26
27 - ——— THERE IS NO COOLING-OFF PERIOD UNLESS YOU
28 ——— OBTAIN A CONTRACT CANCELLATION OPTION.

29
30 —California law does not provide for a “cooling-off” or other cancellation
31 period for vehicle sales. Therefore, you cannot later cancel this contract
32 simply because you change your mind, decide the vehicle costs too much,
33 or wish you had acquired a different vehicle. After you sign below, you
34 may only cancel this contract with the agreement of the seller or for legal
35 cause, such as fraud.

36 —However, California law does require a seller to offer a 2-day contract
37 cancellation option on used vehicles with a purchase price of less than
38 \$40,000, subject to certain statutory conditions. This contract cancellation
39 option requirement does not apply to the sale of a recreational vehicle, a
40 motorcycle, or an off-highway motor vehicle subject to identification

1 ~~under California law. See the vehicle contract cancellation option~~
2 ~~agreement for details.~~

3

4

5 ~~(s) This section shall become operative on July 1, 2012.~~

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